

*Proposed Unification of the
Canadian Accounting Profession*

**CONSULTATION WITH
LEADING STAKEHOLDERS**

Report of Key Findings

May 2012

Acknowledgement

On behalf of the Canadian accounting profession, we thank the individuals who participated in this consultation for their enthusiastic response to the process, for the frank opinions they expressed and for their constructive and insightful comments.

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Executive Summary

The majority of key stakeholders surveyed expressed strong support for unifying the Canadian accounting profession.

A total of 28 influential Canadians representing the interests of business, industry, the financial sector, government, regulatory agencies, policy and research bodies, learning institutions, the media and peer professions, as well as representatives of a number of international accounting organizations, were interviewed in March and April of this year to determine their views on the proposed unification of the Canadian accounting profession.

The survey was commissioned by the Canadian Institute of Chartered Accountants (CICA), the Society of Management Accountants of Canada (CMA Canada), and Certified General Accountants of Canada (CGA-Canada). Each participant received an information package in advance that included *A Framework for Uniting the Canadian Accounting Profession*, which was provided in January to all members of the CA, CMA and CGA professions. The document proposed the unification of the three professions into one single profession through the creation of a new designation, Chartered Professional Accountant or CPA. The participants were asked to review the information and then were contacted for a one-on-one telephone discussion. Comments in this report reflect their views on the proposed unification of the three professions under the CPA.

The overall response was supportive of the proposed unification of Canada's accounting profession. Twenty six of the 28 participants say the proposed framework to unify Canada's three accounting professions under a single designation CPA or Chartered Professional Accountant is a strategically sound and operationally practical long-term solution that is in the best interests of Canadians.

Perspectives on the proposed unification

- ✓ A unified accounting profession is described as a key to strengthening Canada's role in an evolving globalized process of financial oversight. Given the developments unfolding on a worldwide level, respondents believe the timing of a plan to unite the Canadian accounting profession is excellent.
- ✓ Unification is viewed as a means of creating a clear identity for accounting in Canada as one distinct entity, similar to other professions. Further, it is anticipated that a strong, unified national body will build consistency; ensure quality and uniformity in education, qualification, standards of practice, and oversight; yield operational efficiencies; and create a cohesive voice in government relations.
- ✓ Most participants in this consultation (24 out of 28) agree that Chartered Professional Accountant (CPA) represents a logical and strategic choice of designation for the accounting profession, both in Canada and on a global level.

Potential benefits

- ✓ In Canada, unification is described as a move that will enhance the overall stature of the profession as a pillar of the nation's financial infrastructure; position the profession as a unified multi-disciplinary resource with highly diverse skills and talents; and encourage expansion of capacity and accessibility of public accounting, with potentially more firms providing needed services to Canadians.
- ✓ Harmonization of provincial legislation would strengthen regulation of the profession and better protect and serve the interests of the public.
- ✓ In a broader international context, a unified Canadian accounting profession can better position itself as a respected partner and valued contributor in the development of multi-national accounting policies and standards and the establishment of universally accepted principles for financial reporting. Respondents describe this as a key area of opportunity that the merger partners can, and should, plan to develop.

Risks

When asked about risks, participants named a number of issues that divide into two areas: risk of inaction and failure to properly execute the critical factors needed to produce the desired outcomes of unification.

1. Risks of inaction

The greatest risk cited by most respondents is a failure of the Canadian accounting profession to respond to the needs of Canadian business in an increasingly global marketplace. The majority said Canada cannot stand in isolation from globalization and, as a result, maintaining the status quo is not a good strategic option for the accounting profession.

2. Execution of critical factors for success

Several respondents stated that the successful unification of CA, CMA and CGA designations in Canada is contingent upon a number of factors, without which the benefits of the union will not be attained. Respondents listed a number of critical issues. The most common include:

- ✓ Continuation of the high standards of practice that are a hallmark of the Canadian accounting profession;
- ✓ Clear definition of the professional competency map (required qualifications) for numerous areas of specialized practice in public accounting and financial management;
- ✓ Diffusion of the competitive spirit that has characterized the Canadian profession up to now;
- ✓ Clearly market the value of the Canadian CPA credential to ensure it is recognized internationally as best-in-class and to differentiate it from the U.S. CPA;
- ✓ Careful application of best practices at every stage of planning and implementation of the unification framework.

The following research report provides the detailed findings of the study and highlights representative feedback from participants.

Consultation with Leading Stakeholders: Unifying the Canadian Accounting Profession

Background and Purpose

In January 2012, the Canadian Institute of Chartered Accountants (CICA), the Society of Management Accountants of Canada (CMA Canada), and Certified General Accountants of Canada (CGA-Canada) issued *A Framework for Uniting the Canadian Accounting Profession* under a new Canadian Chartered Professional Accountant (CPA) designation. Since then, most of the provincial bodies, boards and councils of the three accounting bodies have engaged members and various constituencies in discussing the framework.

To provide input to the decision-making process, the national CA, CMA and CGA organizations interviewed 28 influential Canadians and international leaders to understand opinions and gain insights as they relate to the proposed unification of the accounting profession. The participants represent the interests of Canadian business, industry, the financial sector, government, regulatory agencies, policy and research bodies, learning institutions, and peer professions, as well as international organizations in regulatory, policy, and accounting standard-setting bodies. A total of 28 influential stakeholders who are leaders within organizations that comprise the accounting profession's stakeholder community participated in the research. Each participant received an information package in advance, was asked to review it, and was then contacted during March and April for a one-on-one telephone discussion. The conversations were conducted by a professional interviewer using a structured series of questions as a guide.

The objectives of this consultation process were as follows:

- Solicit opinions and understand attitudes as they relate to the proposed unification of the Canadian accounting profession;
- Understand perceptions of opportunities and challenges associated with unification and the process of evaluation, decision-making, and implementation;
- Assess impressions of the Canadian Chartered Professional Accountant (CPA) designation, which is proposed for the accounting profession once the unification process proceeds.

To gain a breadth of insights and opinions, individuals who, currently or very recently, hold leadership positions with organizations that represent a broad spectrum of Canadian and international interests in both private and public sectors. Slightly more than 50 per cent of participants hold domestic or international accounting designations. The chart below shows the cross-section of participants:

Sector:	No. of Participants
Business & Industry	4
Financial Services	3
Institutional Investment	2
Learning Institutions	6
Government	3
Policy & Research Bodies	2
Regulatory Agencies	1
Business Media	2
Canadian Accounting Standards & Oversight	2
International Accounting	3
Total	28

Findings of Consultation with Leading Stakeholders: Unifying the Canadian Accounting Profession

The Proposed Unification – *The majority express enthusiastic support*

The majority (26) of the 28 individuals who participated in this consultation describe the proposed unification of the CAs, CMAs and CGAs, as an important forward-looking strategic imperative:

- A number view it as a move that positions the Canadian accounting profession as an influential partner in a global financial community that is quickly evolving to uniform international standards in accounting practices, financial reporting and corporate governance. They believe unification will give Canada a stronger voice in a global forum, a unified position at the standards-setting table, and improved mobility for members of the profession who might seek opportunities outside of Canada.
- Some view the unification as a logical reorganization in a Canadian context, integrating accounting under the auspices of a single governing body, similar to other professions. They see unification as a means of rationalizing the Canadian accounting profession and eliminating “triplication” of resources, education, certification, professional standards, and leadership in a country that is described as “too small” to support the current structure of the profession.
- Others refer to the unification as a means of addressing the “blurring of distinctions” that is already occurring between the three designations; reducing public confusion regarding three different brand identities; eliminating resources allocated to competitive marketing and advertising campaigns; and generating substantial monetary savings through a consolidated organizational structure.
- Lastly, a number of respondents said that unification would enhance the effectiveness of self-regulation of the profession by creating common regulations and practices through establishment of new provincial and territorial legislation. This would reduce much of the fragmentation created by different and various pieces of provincial and territorial legislation now governing the profession. Further, several noted that more consistent regulations would enhance mobility for accounting professionals within Canada, and for those coming to Canada.

What they said:*

- *The timing for this is correct. There's more and more need for a designation that people understand. It's also time to stop worrying about individual branding and focus on shared excellence. – Paul Bates, Special Advisor to the President, DeGroote School of Business, McMaster University; Former Commissioner of the Ontario Securities Commission*
- *Absolutely a good idea. Fragmentation is a negative that has caused problems in the past. The public doesn't understand the nuance of the current arrangement and it contributes to confusion and lack of understanding. Competition and distinct marketing campaigns also confuse people and are a needless waste. – David Denison, President and CEO, CPP Investment Board*
- *Generally think the merger is right: fractured standards are never good and confuse markets. Users are never as sophisticated as providers. – Roger Martin, Dean, Rotman School of Management, University of Toronto*
- *It will create greater influence for Canada – more than with three bodies. – Barry Melancon, President and CEO, American Institute of Certified Public Accountants*

***Representative samples of respondent comments.**

Findings of Consultation with Leading Stakeholders: Unifying the Canadian Accounting Profession

Perceived Opportunities for Unification – *A stronger profession in Canada with an enhanced world vision*

In addition to their general agreement that unification represents a logical evolution for the Canadian accounting profession, these participants point to a number of clear opportunities for future consideration. Most notably, these include:

- Building distinction in the global community as a highly capable, innovative, and progressive partner in international standard setting and policy-making. This includes, as one respondent suggested, identifying a strong leader to represent the Canadian profession in a global forum.
- Gaining the endorsement and support of the Canadian Government as a means of further enhancing the accounting profession's stature as a key pillar of this country's internal financial infrastructure and, through this, as an integral part of Canada's interface with a global marketplace.
- Showcasing the unified association's diversity of expertise for the international business community. In effect, it was suggested that the blended talent of a unified accounting profession can be positioned as a multi-disciplinary resource for advising on and dealing with a wide spectrum of business issues that might be encountered by multi-national companies with operations in Canada.
- Establishing more large public accounting firms in Canada as a long-term opportunity for the profession to relieve a perceived shortage of resources for corporate users of these services.

What they said:*

- *A good idea to consolidate and realize economies of scale, better control of brand, development of professional standards and opportunities – Ed Waitzer, Partner, Stikeman Elliott; Former Chair of the Ontario Securities Commission*
- *Globalization is inevitable and there's a lot of learning ahead; helps us do that together and all at once. – Sheila Fraser, Director, Manulife Financial Board of Directors; Former Auditor General*
- *This is a good opportunity to brand (the Canadian profession) as a preeminent global accounting designation. Can aim higher than the U.S. and turn this into a world-class, made-in-Canada standard. We're already known for our excellence and standards in banking, should build on that. – David Mitchell, President and CEO, Public Policy Forum*

****Representative samples of respondent comments.***

Findings of Consultation with Leading Stakeholders: Unifying the Canadian Accounting Profession

Impressions of the Canadian Chartered Professional Accountant (CPA) Designation – *Most appreciate the merits of a Canadian CPA designation*

Of the 28 influential Canadians who participated in this consultation, 24 or 85% are in full agreement with the proposed nomenclature of the Canadian CPA as the chosen designation and branding for an integrated Canadian accounting profession.

- For the most part, these respondents view the name as a logical solution that is consistent with the strategy to better align the Canadian profession with the global accounting community.
- The transitional plan of allowing for dual usage of CPA with members' existing designations – CA, CMA and CGA – is viewed as an approach that helps to resolve potential confusion, and soften the emotional impact associated with retiring traditional designations.
- One educator suggested that the CPA designation also resonates with students whose career aspirations are already international in scope and, therefore, in harmony with a globally accepted credential.

Those who are either skeptical or negatively predisposed to the use of the CPA designation cite the challenge of persuading CAs of the value of the new name; the loss of equity associated with discontinuing traditional designations such as CA; and a perception that adoption and use of CPA might imply the Americanization of the profession in Canada or cause confusion among members of the public.

What they said:*

- *CPA is a global brand and a good solution to the requirement for a fresh start – David Brown, Partner, Davies Ward Phillips & Vineberg LLP; Former Chairman and CEO of the Ontario Securities Commission*
- *The CPA designation and affiliation should be emphasized and not diminished. CPAs have more experience with SOX and other issues – and Canadians could learn from that. It should be a comfort to be associated with the CPA brand and to the public it won't matter. – Rod Monette, Former Comptroller General of Canada*
- *CPA is well-recognized and respected as the international brand for professional accountants. The choice of what designation to choose is less important than rallying around a single designation that represents the singular accounting profession in Canada. To this end, "CPA" should serve the profession well. – Cary List, President and CEO, Financial Planning Standards Council*

****Representative samples of respondent comments.***

Findings of Consultation with Leading Stakeholders: Unifying the Canadian Accounting Profession

Key Success Factors for the Unification – *Skillful execution of a strategically sound plan*

In the context of their strong agreement with the proposed unification of the professions on a conceptual level, approximately half of the research participants made comments that suggest that masterful execution will be the essential element of its success.

- Some suggest that the leadership team needs to demonstrate strong commitment and decisive action in assuring that the highest possible standards remain a hallmark of the profession overall, and that integration will not lead to dilution of the rules governing audit, assurance, and financial reporting.
- Respondents involved in the education of accountants in the academic stream point to the need to reconcile differences in education and training in the three converging designations.
- Some refer to the need for a unified competency map and qualification process that continues to reflect the highest standards of education for students in universities and other learning institutions.
- They also express a need for communication and information that helps students understand the transition from traditional designations to a new single credential with multiple areas of specialization, and any career path implications associated with this.
- Some stress the importance of ongoing and sustained funding of academic programs in accounting by a unified professional body, as funding is now provided by multiple entities.
- Some also comment on the need to diffuse the competitive spirit that has characterized the Canadian accounting profession and, through this, demonstrate the application of best practices, and a cohesive team-driven approach, on both a national and provincial level.

What they said:*

- *There's a trust issue at stake here: this has to be done but done well or the accounting profession's reputation will be questioned. The three bodies can't be seen to squabble when their professional image is at stake – Catherine Swift, Chair, President and CEO, Canadian Federation of Independent Business*
- *Real issue going forward is quality control and high standards, international standards and mobility. – Robert McFarlane, Executive Vice-President and CFO, Telus*
- *From the view of our small business clients, a lot of them can't afford big name accountants. It's important to consider their needs and their constraints in the process. – Tracy Redies, President and CEO, Coast Capital Savings*

***Representative samples of respondent comments.**

Findings of Consultation with Leading Stakeholders: Unifying the Canadian Accounting Profession

A Sense of Urgency – *The greatest risk may be inaction*

While not asked directly to comment on the risk of maintaining the status quo, a number of participants in this consultation process offered opinions regarding the risks to the accounting profession of not moving ahead with the unification.

They articulated issues as summarized below, regarding implications of not proceeding.

- Tenuous government relations and the prospect of a legislated solution that wrests control away from the profession itself.
- Foregoing influence on a global level and/or fragmented representation of Canadian interests in the setting and maintenance of international standards.
- Unnecessary complexity, a perception of ongoing confusion, and under utilization of resources in maintaining three separate and competing accounting bodies when “a single body can accommodate all categories of accountants.”

What they said:*

- *It is important to make this happen. There's less risk of watering down standards if the three organizations work together. – Claude Lamoureux, Director, Canadian Foundation for Advancement of Investor Rights; Former President and CEO, Ontario Teachers' Pension Plan*
- *Competition can be confusing and if (the designations) denigrate one another, all suffer. A single body can accommodate all categories of accountants. – Ian Ball, CEO, International Federation of Accountants*
- *Timing is crucial. Don't lose momentum – that's very important. – Charles-Antoine St-Jean, Partner, Ernst and Young; Former Comptroller General of Canada*

***Representative samples of respondent comments.**